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Weekly Cotton Market Review

April 10, 1986

Spot cotton prices averaged lower, according to the Cotton Division, Agricultural Marketing Service, USDA. Trading slowed and continued to center around CCC loan equities. Supplies and offerings were adequate to cover merchants' needs. Domestic and foreign mills made limited purchases. Forward contracting of 1986-crop cotton was confined to a light volume by south Texas growers. Light to heavy rains brought needed moisture across most of the south central states but dry soil conditions prevail in southeastern states. Planting made good progress in Arizona but excessive moisture and cooler weather kept planting to a minimum in the San Joaquin Valley of California. Although light rains were received in Oklahoma, central and west Texas, dry soils continued to hinder land preparation and planting. The south Texas crop made good progress.

Spot cotton prices for grade 41 staple 34, mike 35-49, in the designated markets averaged 61.97 cents per pound during the week ended Thursday, April 10. Prices ranged from a high of 62.19 cents on Friday to a low of 61.68 cents on Tuesday. A week earlier, prices averaged 62.41 cents per pound and ranged from 62.24 to 62.75 cents. In the corresponding week a year ago, the average price was 62.92 cents. The New York May 1986 futures settlement price ended the week on Thursday at 61.65 cents per pound compared with 64.05 cents a week earlier. The October settlement price was 38.85 cents against 40.00 cents last Thursday and the December price was 38.81 cents against 39.99 cents a week ago.

Trading was less active on most spot cotton markets. Supplies, which are primarily of CCC loan stocks, remain at a moderate level. Merchant demand was light and very selective. Growers offered freely but some refused merchant bid prices. Inter-merchant trading accounted for some activity. Domestic mills continued to make inquiries for new-crop cotton and a small volume was bought. The bulk of purchases was of old crop for prompt through August delivery. Export trading slowed. Limited purchases were made by both Far Eastern and European mills. Purchases reported by cotton exchanges in the designated markets totaled 95,300 bales in the week ended Thursday, April 10. This compares with 141,000 bales reported a week earlier and 54,600 bales in the corresponding week a year ago.

Textile mill report. A few mills were actively in the market but overall buying was light to moderate. Demand included a fairly wide range of qualities but centered on the medium and lower grades. Mills made numerous inquiries for cotton to be delivered after August 1 and buying was increasing. Cotton departments were busy receiving, classing and adding to stocks. Most mills have their primary needs covered into early summer. Orders for textiles remained good with numerous products booked into fourth quarter months. Most apparel fabrics, sales yarn and a variety of products for the household remained good sellers. Industrial and automotive markets were spotty but mostly fair to good. Mills' working schedules were mostly five to six days with some plants operating seven.

CCC loan entries of all cotton from the 1985 crop totaled 7,216,461 bales through March 26, according to the Agricultural Stabilization and Conservation Service, USDA. Repayments had been made on 391,251 bales of upland cotton, leaving outstanding loans of 6,791,158 bales. This included 3,746,550 bales of Form A (producer) and 3,044,608

bales of Form G (cooperative) loans. Repayments had been made on 17,428 bales of American Pima cotton, leaving outstanding loans of 16,624 bales which were primarily Form G loans. Loans remained outstanding on 1,069,818 bales of 1984 crop, 527 bales of 1982 crop and 49 bales of 1981 crop.

Exports by customs districts. U.S. exports declined sharply during the first half of the 1985-86 season, totaling only 1.2 million bales, barely over 40 percent of the comparable 1984-85 level, according to the Foreign Agricultural Service, USDA. All customs districts shared in the decline. The West Coast and Gulf ports were the principal areas of debarkation, accounting for 72 percent and 18 percent of the total, respectively. Los Angeles remains the leading port, handling 42 percent, followed by San Francisco and Houston-Galveston.

Foreign crop report. The Cotton Outlook of Liverpool reports that shipment asking prices for many growths are now falling sharply on the expectation of greater competition from the U.S. during the 1986-87 season. However, there is as yet no indication that planting intentions in the major Northern Hemisphere producing countries have undergone radical change as sowing gets under way. It has been evident for some time that crops would be small in Mexico and in the later-sown Central American Republics. It appears that this lead will be followed by growers in the Coastal region of Colombia. However, in Africa and Asia, where much of the competition for U.S. exports now arises, most countries appear committed to their former plans. Russia, anxious to increase exports of other products to make good the shortfall of earnings from oil, will again be attempting to raise her output significantly above the 12,000,000 bales (of 480 lbs) level at which it has languished for several seasons. Pakistan is seeking to equal the record outturn, of more than 5,500,000 bales, achieved in the 1985-86 season, and has been blessed so far with excellent weather with which to plant the early-harvested Sind region. Yields in that area have not recently matched those in the Punjab, but might do so next season following the increased use of the latter's hitherto exclusive seed varieties. In China, too, the national production target appears unaltered, being now virtually set by the official procurement level of 4,250,000 tonnes (19,520,000 bales). In Africa, planting of the Egyptian crop has already passed the halfway stage. The Government's plans to raise acreage a little further may have foundered on its inability to offer sufficient financial inducement to growers. Indeed, scarcity of finance will be a worrying factor for most of Africa, since world prices are already regarded to be at a discount under the cost of production, and maintenance of acreage may be dependent very largely upon the attitude adopted by the various international aid agencies. There is in fact no other commodity to which most African producers could profitably turn.

In the Southern Hemisphere where sowing does not commence until October, Brazilian and Argentine acreage may well be sustained by the need to replenish supplies after relatively poor 1985-86 crops. The absence of any official price support arrangement exposes Australian growers to the full effect of the present weakness of the market. They will thus be watching events anxiously over the next few months. The situation has not been improved by the virtual certainty that India has produced over 8,700,000 bales in the current season; she is struggling to find export outlets in markets where Australia has recently become entrenched. India's own domestic prices are already under pressure; they will suffer further strain if the exportable surplus fails to find buyers. How New Delhi would react to such a situation has become one of the major imponderables for next season. India has been striving hard for more than a decade to produce a significant exportable surplus. It remains to be seen whether the more market-orientated administration of Mr. Rajiv Gandhi will be disposed to maintain it at some cost.

U.S. cotton exports by ports, August-January, 480 pound bales

Ports of departure	1981-82	1982-83	1983-84	1984-85	1985-86
East Coast ports:					
Portland, Maine.....	-	-	-	5,224	4,434
St. Albans, Vermont.....	1,946	175	-	-	25
New York, New York.....	1,999	242	992	117	-
Philadelphia, Pennsylvania..	-	625	-	3,347	-
Baltimore, Maryland.....	4,327	837	1,299	-	513
Norfolk, Virginia.....	1,390	921	1,389	8,645	980
Wilmington, North Carolina..	-	-	132	4,430	769
Charleston, South Carolina..	18,888	16,014	116,941	65,054	21,757
Savannah, Georgia.....	578	2,475	48,322	27,287	12,172
Tampa, Florida.....	390	2	-	346	-
Miami, Florida.....	121	703	2,508	1,336	205
Subtotal.....	29,639	21,994	171,583	115,786	40,855
Great Lakes ports:					
Ogdensburg, New York.....	5,660	6,748	3,696	6,212	824
Buffalo, New York.....	3,058	5,989	12,950	11,622	2,054
Pembina, North Dakota.....	-	-	-	6	21
Detroit, Michigan.....	80,325	103,899	112,228	86,826	76,336
Chicago, Illinois.....	-	-	-	14	-
Subtotal.....	89,043	116,636	128,874	104,680	79,235
Gulf ports:					
Mobile, Alabama.....	14,454	33,485	71,340	69,300	2,150
New Orleans, Louisiana.....	64,959	57,375	59,025	75,672	19,488
Port Arthur, Texas.....	-	-	463	537	-
Galveston, Texas.....	163,178	-	-	-	-
Laredo, Texas.....	-	-	3,047	4,329	-
El Paso, Texas.....	-	-	4,295	-	-
Houston-Galveston, Texas....	198,758	345,984	546,822	489,378	201,157
Subtotal.....	441,349	436,844	684,992	639,216	222,795
Other ports:					
San Juan, Puerto Rico.....	-	-	-	31	16
Subtotal.....	-	-	-	31	16
West Coast ports:					
San Diego, California.....	31,033	-	-	163	-
Los Angeles, California.....	1,340,614	1,095,295	1,309,856	1,344,392	526,976
San Francisco, California....	743,708	582,878	478,079	706,144	328,659
Portland, Oregon.....	-	1,390	2,063	519	-
Seattle, Washington.....	16,807	39,637	61,784	157,615	45,975
Great Falls, Montana.....	20	-	28	-	-
Subtotal.....	2,132,182	1,719,200	1,851,810	2,208,833	901,610
World total.....	2,692,214	2,294,675	2,837,257	3,068,546	1,244,512

New York futures contract settlement, designated spot market average for grade 41 staple 34 and 'A' Index cotton prices in cents per pound

Date	Grade 41 Staple 34						Desig. 8- Mkt. Avg.	Grade 31 Staple 35 'A' Index 1/
	Futures Settlement							
	May '86	Jul '86	Oct '86	Dec '86	Mar '87	May '87		
Apr. 3	64.05	64.51	40.00	39.99	40.75	41.20	62.34	49.95
4	63.45	64.25	39.87	39.81	40.65	41.40	62.19	49.80
7	61.90	62.68	39.00	39.05	39.95	40.53	61.84	49.40
8	61.00	62.23	38.95	38.80	39.77	40.52	61.68	49.15
9	62.55	63.13	39.15	39.16	40.20	41.05	62.19	48.50
10	61.65	62.65	38.85	38.81	39.85	40.45	61.93	48.35

1/ C.I.F. Northern Europe price furnished by Cotton Outlook of Liverpool.

U. S. upland cotton export sales and exports, in running bales, for week and year, marketing years 1984-85 and 1985-86

Description	Marketing Year			
	1984-85		1985-86	
	Through April 4		Through April 3	
	Week	Marketing Year	Week	Marketing Year
Outstanding sales	-	1,776,400	-	379,000
Exports	126,700	4,443,500	68,800	1,510,400
Total export commitments	-	6,219,900	-	1,889,400
New sales	33,000	-	10,600	-
Buy-backs and cancellations	20,600	-	16,000	-
Net sales	12,400	-	-5,400	-
Sales next marketing year	5,300	392,100	51,100	622,200

Source: Export Sales Reporting Division, Foreign Agricultural Service, USDA

Upland cotton export sales for the current marketing year resulted in a net decrease of 5,400 running bales during the week ended April 3, according to the Foreign Agricultural Service, USDA. Major reductions for West Germany of 3,000 bales and South Korea 2,300 bales were partially offset by increases to Thailand of 1,400 bales and Japan 1,200 bales. Sales for the 1986-87 marketing year totaled 51,100 bales and were primarily to Japan of 24,900 bales and South Korea 24,100 bales. Exports for the week totaled 68,800 bales, up 88 percent from the previous week. Asian destinations accounted for 49 percent of the week's shipments, Africa 42 percent and West European 9 percent.